

Company No. 295576–U

Amlslamic Bank Berhad

(Company No. 295576–U)
(Incorporated in Malaysia)

Interim Financial Statements

For the Financial Period

1 April 2007 to

31 December 2007

(In Ringgit Malaysia)

Amlslamic Bank Berhad

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEET AS AT 31 DECEMBER 2007**

		31 December 2007 RM'000	31 March 2007 RM'000
ASSETS			
Cash and short-term funds		1,269,827	1,849,370
Deposits and placements with banks and other financial institutions		—	415,200
Securities held-for-trading	A8	104,011	144,587
Financing, advances and other loans	A9	7,572,090	6,369,970
Other assets		103,827	87,964
Statutory deposit with Bank Negara Malaysia		280,500	249,000
Deferred tax asset		177,024	223,558
Property and equipment		461	913
Intangible assets		497	65
TOTAL ASSETS		<u>9,508,237</u>	<u>9,340,627</u>
LIABILITIES AND EQUITY			
Deposits from customers	A10	5,218,984	4,671,054
Deposits and placements of banks and other financial institutions	A11	2,125,292	2,553,567
Bills and acceptance payable		527,503	446,614
Other liabilities		134,949	236,721
Provision for zakat		1,112	786
Subordinated Sukuk Musyarakah		400,000	400,000
Total Liabilities		<u>8,407,840</u>	<u>8,308,742</u>
Share capital		403,038	403,038
Reserves		697,359	628,847
Total Equity		<u>1,100,397</u>	<u>1,031,885</u>
TOTAL LIABILITIES AND EQUITY		<u>9,508,237</u>	<u>9,340,627</u>
COMMITMENTS AND CONTINGENCIES	A20	<u>3,972,854</u>	<u>4,038,931</u>
NET ASSETS PER ORDINARY SHARE (RM)		<u>2.73</u>	<u>2.56</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2007.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2007**

	Note	Individual Quarter		Cumulative Quarter	
		31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
Income derived from investment of depositors' funds and others	A12	166,948	169,140	507,843	448,892
Income derived from investment of shareholders' funds	A13	38,990	38,014	112,855	90,055
Allowance for losses on financing	A14	(39,814)	(38,914)	(109,922)	(106,989)
Transfer from/(to) profit equalisation reserve		(1,813)	14,075	26,396	32,651
Total distributable income		164,311	182,315	537,172	464,609
Income attributable to the depositors	A15	(83,951)	(92,345)	(255,305)	(234,150)
Total net income		80,360	89,970	281,867	230,459
Other operating expenses		(51,088)	(39,621)	(149,257)	(108,715)
Finance cost		(5,475)	(579)	(17,062)	(579)
Profit before zakat and taxation		23,797	49,770	115,548	121,165
Zakat		(198)	–	(502)	–
Taxation		(6,235)	(13,888)	(46,534)	(39,575)
Profit after zakat and taxation		17,364	35,882	68,512	81,590
Earnings per share (sen)	A16	4.31	8.90	17.0	21.71

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2007.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2007**

	← Non-distributable →			Distributable	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unappro- priated Profits RM'000	Total RM'000
Balance as at 1 April 2006	153,038	-	-	-	153,038
Issued during the year	250,000	534,068	-	-	784,068
Transfer to statutory reserve	-	-	47,390	(47,390)	-
Profit for the year	-	-	-	94,779	94,779
Balance as at 31 March 2007	403,038	534,068	47,390	47,389	1,031,885
Balance as at 1 April 2007	403,038	534,068	47,390	47,389	1,031,885
Profit for the period	-	-	-	68,512	68,512
Balance as at 31 December 2007	403,038	534,068	47,390	115,901	1,100,397

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2007.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2007**

	31 December 2007 RM'000	31 December 2006 RM'000
Profit before zakat and taxation	115,548	121,165
Adjustments for non-cash items	85,534	69,208
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	201,082	190,373
Changes in working capital:		
Net changes in operating assets	(905,502)	258,311
Net changes in operating liabilities	124,992	(324,874)
Net assets vested from AmBank (M) Berhad	-	(784,068)
	<hr/>	<hr/>
Net Cash Generated From/(Used in) Operating Activities	(579,428)	(660,258)
Net Cash (Used in)/Generated From Investing Activities	(115)	1,159,286
Net Cash Generated From Financing Activities	-	1,184,068
	<hr/>	<hr/>
Net Increase In Cash And Cash Equivalents	(579,543)	1,683,096
Cash And Cash Equivalents At Beginning Of The Period	1,849,370	-
	<hr/>	<hr/>
Cash And Cash Equivalents At End Of The Period	<u>1,269,827</u>	<u>1,683,096</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2007.

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Explanatory Notes

A1. Basis of Preparation

The interim financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") 134 Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2007.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the adoption of the new and revised FRS issued by MASB that are effective for the Bank's next annual reporting date, 31 March 2008. The adoption of the new and revised FRS does not have a significant financial impact on the Bank.

The specific and general allowances for loans, advances and financing of the Bank are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. However, the Bank has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and substandard when repayments are in arrears for more than three (3) months from the first day of default.

Consistent with previous year, the Bank adopted a more stringent basis for specific allowances on non-performing loans and are as follows:

- i) Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:
 - (a) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
 - (b) no value assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.
- ii) Specific allowance of 20% is provided on non-performing loans which are four (4) to less than six (6) months-in-arrears. Previously, specific allowance was only made when a non-performing loan was in arrears of 6 months and above.

A2. Audit Qualification

The auditors' report on the audited annual financial statements for the financial year 31 March 2007 was not qualified.

A3. Seasonality or Cyclicity of Operations

The operations of the Bank are not materially affected by any seasonal or cyclical fluctuation in the current financial quarter and period.

A4. Unusual Items

There were no unusual items during the current financial quarter and period.

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A5. Use of Estimates

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial quarter and period ended 31 December 2007.

A6. Issuance, Cancellation, Repurchase, Resale and Repayment of Debt and Equity Securities

The Bank has not issued any new shares or debentures during the financial period.

There were no share buy-backs, share cancellations nor shares held as treasury shares by the Bank during the financial period.

A7. Dividends Paid

The directors do not recommend the payment of any dividend in respect of the financial period ended 31 December 2007 and no dividends were paid in the current financial period.

A8. Securities Held-for-trading

	31 December 2007 RM'000	31 March 2007 RM'000
At fair value		
Money Market Securities:		
Malaysia Government Investment Certificates	34,883	39,736
Islamic Treasury Bills	39,209	48,442
	<u>74,092</u>	<u>88,178</u>
Unquoted securities:		
Private Debt Securities	29,919	56,409
	<u>29,919</u>	<u>56,409</u>
Total securities held-for-trading	<u>104,011</u>	<u>144,587</u>

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A9. Financing, Advances and Other Loans

	31 December 2007 RM'000	31 March 2007 RM'000
Overdrafts	67,904	22,420
Term loan facilities		
– Housing loans/financing	830,522	856,314
– Hire-purchase receivables	7,745,341	7,887,080
– Other loans/financing	2,993,681	2,384,838
Card receivables	276,359	318,470
Bills receivables	2,762	6,860
Trust receipts	45,027	25,584
Claims on customers under acceptance credits	635,973	475,119
Revolving credits	91,251	70,755
	<hr/>	<hr/>
Total	12,688,820	12,047,440
Unearned income	<u>(2,738,732)</u>	<u>(2,589,479)</u>
	9,950,088	9,457,961
Less: Islamic financing sold to Cagamas Berhad	<u>(2,085,357)</u>	<u>(2,718,833)</u>
Gross financing, advances and other loans	7,864,731	6,739,128
Less: Allowance for bad and doubtful debts and financing		
– General	(149,314)	(138,998)
– Specific	<u>(143,327)</u>	<u>(230,160)</u>
Net financing, advances and other loans	<u><u>7,572,090</u></u>	<u><u>6,369,970</u></u>

A9a. By concept

	31 December 2007 RM'000	31 March 2007 RM'000
Al-Bai' Bithaman Ajil	983,385	869,887
Al-Istisna	1,012	623
Al-Ijarah/Al-Ijarah Thumma Al-Bai'	4,228,226	3,632,182
Al-Musarakah	17,642	18,796
Al-Murabahah	752,795	571,210
Other Islamic concept	<u>1,881,671</u>	<u>1,646,430</u>
Gross financing, advances and other loans	<u><u>7,864,731</u></u>	<u><u>6,739,128</u></u>

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A9. Financing, Advances And Other Loans (continued)

A9b. By type of customer

	31 December 2007 RM'000	31 March 2007 RM'000
Domestic non-bank financial institutions	668	653
Domestic business enterprises		
– Small medium enterprises	582,681	518,641
– Others	856,041	590,153
Government and statutory bodies	21,587	21,179
Individuals	6,397,004	5,603,789
Other domestic entities	3,162	2,371
Foreign entities	3,588	2,342
	<hr/>	<hr/>
Gross financing, advances and other loans	<u>7,864,731</u>	<u>6,739,128</u>

A9c. By profit rate sensitivity

	31 December 2007 RM'000	31 March 2007 RM'000
Fixed rate		
– Housing loans/financing	425,022	430,406
– Hire purchase receivables	4,358,144	3,807,196
– Other fixed rate loan/financing	3,049,734	2,484,411
Variable rate		
– Base lending rate plus	2,310	–
– Cost plus	29,521	17,115
	<hr/>	<hr/>
Gross financing, advances and other loans	<u>7,864,731</u>	<u>6,739,128</u>

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A9. Financing, Advances And Other Loans (continued)

A9d. By loan purpose

	31 December 2007 RM'000	31 March 2007 RM'000
Purchase of securities	10,255	2,700
Purchase of transport vehicles	6,397,659	6,363,353
Purchase of landed property		
– Residential	426,360	432,115
– Non-residential	125,307	54,340
Purchase of fixed assets other than land and building	126,534	168,142
Personal use	1,615,014	1,330,785
Credit cards	276,248	318,471
Purchase of consumer durables	1,223	1,359
Construction	4,905	2,504
Working capital	900,785	721,750
Other purpose	65,798	62,442
	<hr/>	<hr/>
	9,950,088	9,457,961
Less: Islamic financing sold to Cagamas Berhad	<hr/> (2,085,357)	<hr/> (2,718,833)
Gross financing, advances and other loans	<hr/> 7,864,731	<hr/> 6,739,128

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A9. Financing, Advances And Other Loans (continued)**A9e(i).** Movements in non-performing financing, advances and other loans ("NPL") are as follows:

	31 December 2007 RM'000	31 March 2007 RM'000
Gross		
Balance at 1 April	479,547	–
Non-performing during the period/year	180,241	223,492
Reclassification to performing financing	(90,868)	(42,755)
Amount recovered	(60,896)	(79,182)
Amount written off	(193,334)	(132,984)
Amount vested from holding company	–	510,976
	<hr/>	<hr/>
Balance at end of period/year	314,690	479,547
Less: Specific allowance	(143,327)	(230,160)
	<hr/>	<hr/>
Non-performing financing, advances and other loans – net	<u>171,363</u>	<u>249,387</u>
Gross financing, advances and other loans	7,864,731	6,739,128
Add: Islamic financing sold to Cagamas Berhad	2,085,357	2,718,833
	<hr/>	<hr/>
	9,950,088	9,457,961
Less: Specific allowance	(143,327)	(230,160)
	<hr/>	<hr/>
Net financing, advances and other loans (including Islamic financing sold to Cagamas Berhad)	<u>9,806,761</u>	<u>9,227,801</u>
Ratio of non-performing financing – net	<u>1.75%</u>	<u>2.70%</u>

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A9. Financing, Advances And Other Loans (continued)**A9e(ii).** Movements in the allowance for bad and doubtful financing accounts are as follows:

	31 December 2007 RM'000	31 March 2007 RM'000
General Allowance		
Balance at 1 April	138,998	–
Allowance made during the period/year	10,316	6,690
Amount vested from holding company	–	132,308
	<hr/>	<hr/>
Balance at end of period/year	149,314	138,998
	<hr/>	<hr/>
% of net financing, advances and other loans (including Islamic financing sold to Cagamas Berhad)	<u>1.5%</u>	<u>1.5%</u>
Specific Allowance		
Balance at 1 April	230,160	–
Allowance made during the period/year	179,975	282,142
Amount written back in respect of recoveries during the period/year	(63,912)	(81,056)
	<hr/>	<hr/>
Net charge to income statement	116,063	201,086
Amount written off/Adjustment to Asset Deficiency Account	(202,896)	(124,973)
Amount vested from holding company	–	154,047
	<hr/>	<hr/>
Balance at end of period/year	143,327	230,160
	<hr/>	<hr/>

A9f. Non-performing loans by purpose

	31 December 2007 RM'000	31 March 2007 RM'000
Purchase of securities	989	1,241
Purchase of transport vehicles	155,852	252,031
Purchase of landed property		
– Residential	83,114	98,215
– Non-residential	25,661	36,086
Purchase of fixed assets other than land and building	7,655	9,886
Personal use	546	975
Credit cards	10,419	54,612
Construction	2,504	2,504
Working capital	23,332	18,344
Other purpose	4,618	5,653
	<hr/>	<hr/>
	314,690	479,547
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A10. Deposits from Customers

	31 December 2007 RM'000	31 March 2007 RM'000
(i) <u>By type of deposits</u>		
Non-Mudharabah		
Demand deposit	483,929	354,020
Savings deposit	763,936	667,730
Negotiable instruments of deposit	6,493	6,548
	<u>1,254,358</u>	<u>1,028,298</u>
Mudharabah		
General investment deposit	<u>3,964,626</u>	<u>3,642,756</u>
	<u>5,218,984</u>	<u>4,671,054</u>
(ii) <u>By type of customers</u>		
Business enterprises	1,937,979	1,619,155
Individuals	1,539,741	1,419,897
Government and other statutory bodies	1,523,804	1,427,990
Others	217,460	204,012
	<u>5,218,984</u>	<u>4,671,054</u>

A11. Deposits and Placements of Banks and Other Financial Institutions

	31 December 2007 RM'000	31 March 2007 RM'000
<u>Non-Mudharabah</u>		
Licensed Islamic banks	58,520	78,103
Licensed banks	29,700	92,909
Licensed merchant banks	742,324	993,241
Other financial institutions	430,199	418,005
Bank Negara Malaysia	2,562	8,085
	<u>1,263,305</u>	<u>1,590,343</u>
<u>Mudharabah</u>		
Licensed merchant banks	51,960	50,538
Non-banking institutions	810,027	912,686
	<u>861,987</u>	<u>963,224</u>
	<u>2,125,292</u>	<u>2,553,567</u>

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A12. Income Derived From Investment of Depositors' Funds and Others

	Individual Quarter		Cumulative Quarter	
	31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
Income derived from investment of:				
- General investment deposits	81,199	75,545	239,935	190,527
- Other deposits	85,749	93,595	267,908	258,365
	<u>166,948</u>	<u>169,140</u>	<u>507,843</u>	<u>448,892</u>
Income derived from investment of general investment deposits				
<u>Finance income and hibah:</u>				
Financing, advances and other loans	70,515	65,138	205,680	165,498
Securities held-for-trading	761	489	2,354	1,010
Money at call and deposits with financial institutions	6,029	6,435	20,090	14,596
	<u>77,305</u>	<u>72,062</u>	<u>228,124</u>	<u>181,104</u>
Accretion of discount	(30)	130	283	1,105
	<u>77,275</u>	<u>72,192</u>	<u>228,407</u>	<u>182,209</u>
<u>Fee and commission income:</u>				
Commission	670	499	1,708	1,453
Other fee income	3,513	2,603	10,281	6,258
	<u>4,183</u>	<u>3,102</u>	<u>11,989</u>	<u>7,711</u>
<u>Gain/(Loss) arising from sale of securities:</u>				
Net gain/(loss) from sale of securities held-for-trading	(288)	(42)	56	(52)
<u>Others:</u>				
Gain/(loss) on revaluation of securities held-for-trading	55	293	(497)	658
Others	(26)	-	(20)	1
	<u>29</u>	<u>293</u>	<u>(517)</u>	<u>659</u>
Total	<u>81,199</u>	<u>75,545</u>	<u>239,935</u>	<u>190,527</u>

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	Individual Quarter		Cumulative Quarter	
	31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
Income derived from investment of other funds				
<u>Finance income and hibah:</u>				
Financing, advances and other loans	74,550	80,408	229,659	224,205
Securities held-for-trading	801	631	2,629	1,379
Money at call and deposits with financial institutions	6,297	8,215	22,433	19,921
	<u>81,648</u>	<u>89,254</u>	<u>254,721</u>	<u>245,505</u>
Accretion of discount	(44)	110	315	1,508
	<u>81,604</u>	<u>89,364</u>	<u>255,036</u>	<u>247,013</u>
<u>Fee and commission income:</u>				
Commission	716	615	1,907	1,983
Other fee income	3,711	3,298	11,479	8,541
	<u>4,427</u>	<u>3,913</u>	<u>13,386</u>	<u>10,524</u>
<u>Gain/(Loss) arising from sale of securities:</u>				
Net gain/(loss) from sale of securities held-for-trading	(332)	(57)	63	(71)
<u>Others:</u>				
Gain/(loss) on revaluation of securities held-for-trading	79	375	(555)	898
Others	(29)	-	(22)	1
	<u>50</u>	<u>375</u>	<u>(577)</u>	<u>899</u>
Total	<u>85,749</u>	<u>93,595</u>	<u>267,908</u>	<u>258,365</u>

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A13. Income Derived From Investment of Shareholders' Funds

	Individual Quarter		Cumulative Quarter	
	31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
<u>Finance income and hibah:</u>				
Financing, advances and other loans	33,845	32,730	96,742	78,147
Securities held-for-trading	366	245	1,107	481
Money at call and deposits with financial institutions	2,907	3,247	9,450	6,944
	<u>37,118</u>	<u>36,222</u>	<u>107,299</u>	<u>85,572</u>
Accretion of discount	(13)	84	133	526
	<u>37,105</u>	<u>36,306</u>	<u>107,432</u>	<u>86,098</u>
<u>Fee and commission income:</u>				
Commission	319	259	803	691
Other fee income	1,689	1,322	4,837	2,978
	<u>2,008</u>	<u>1,581</u>	<u>5,640</u>	<u>3,669</u>
<u>Gain/(Loss) arising from sale of securities:</u>				
Net gain/(loss) from sale of securities held-for-trading	(134)	(21)	26	(25)
<u>Others:</u>				
Gain/(loss) on revaluation of securities held-for-trading	23	148	(234)	313
Others	(12)	-	(9)	-
	<u>11</u>	<u>148</u>	<u>(243)</u>	<u>313</u>
Total	<u>38,990</u>	<u>38,014</u>	<u>112,855</u>	<u>90,055</u>

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A14. Allowance for Losses on Financing

	Individual Quarter		Cumulative Quarter	
	31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
– made in the financial year	59,005	65,172	179,975	168,216
– written back	(17,177)	(21,315)	(63,912)	(56,807)
General allowance	4,779	(121)	10,316	5,337
Bad debts and financing recovered	(6,793)	(4,822)	(16,457)	(9,757)
	<u>39,814</u>	<u>38,914</u>	<u>109,922</u>	<u>106,989</u>

A15. Income attributable to the depositors

	Individual Quarter		Cumulative Quarter	
	31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
Deposit from customers				
– Mudharabah	36,606	35,254	102,912	79,306
– Non-Mudharabah	3,443	2,360	9,797	9,783
	<u>40,049</u>	<u>37,614</u>	<u>112,709</u>	<u>89,089</u>
Deposits and placements of banks and other financial institutions				
– Mudharabah	6,714	4,608	23,556	17,767
– Non-Mudharabah	15,152	19,130	41,672	54,911
	<u>21,866</u>	<u>23,738</u>	<u>65,228</u>	<u>72,678</u>
Others	22,036	30,993	77,368	72,383
	<u>83,951</u>	<u>92,345</u>	<u>255,305</u>	<u>234,150</u>

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A16. Earnings Per Share (EPS)**Basic**

Basic earnings per share is calculated by dividing the net profit for the financial period attributable to shareholder of the Bank by the weighted average number of ordinary shares in issue during the financial period.

	Individual Quarter		Cumulative Quarter	
	31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
Net profit attributable to shareholders of the Bank	<u>17,364</u>	<u>35,882</u>	<u>68,512</u>	<u>81,590</u>
Number of ordinary shares at beginning of period	403,038	403,038	403,038	153,038
Effect of the issuance of shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>222,727</u>
Weighted average number of ordinary shares in issue	<u>403,038</u>	<u>403,038</u>	<u>403,038</u>	<u>375,765</u>
Basic earnings per share (sen)	<u>4.31</u>	<u>8.90</u>	<u>17.0</u>	<u>21.71</u>

There are no dilutive potential ordinary shares during the financial period.

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A17a. Performance Review for the Period ended 31 December 2007

The Bank recorded a Pre-tax profit of RM115.5 million for the period ended 31 December 2007 as compared to RM121.2 million for the corresponding period in the previous year.

The marginal reduction in pre-tax profit is mainly attributable to higher operating expenses in tandem with the expanding business operations set off against higher income from growth in financing, advances and other loans.

In the opinion of the Directors, the results of the Bank for the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

A17b. Prospects for 31 March 2008

In tandem with the thrusts of the Ninth Malaysian Plan (9MP), the Malaysian economy is projected to see sustained growth in 2007 with GDP growth projected at 5.9%. On the back of favourable macroeconomic conditions, the banking sector is expected to remain robust with strong capitalization and continuous improvement in asset quality.

For the current year, capital market activities are expected to be robust. The active promotion of Islamic financing by the Malaysian government and growing demand for Shariah compliant securities from local and international investors provide an impetus for more capital market issues.

The Bank as part of the AmBank Group will continue to pursue its strategy of expanding its business operations regionally whilst maintaining its leadership position in the industry. The Bank is confident that it has built an infrastructure, customer base and brand-awareness and leveraging on the ANZ partnership will enable the Bank to take advantage of the growth opportunity and register an improvement in profit.

A18. Valuation of Property & Equipment

The Bank's property and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

A19. Events Subsequent To Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Bank for the current period.

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A20. Commitments and Contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Bank's assets.

The risk-weighted exposure of the Bank is as follows:

	31 December 2007			31 March 2007		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	137,563	137,563	132,415	119,948	119,948	102,537
Certain transaction-related contingent items	47,387	23,694	23,694	45,018	22,509	22,509
Irrevocable commitments to extend credit:						
– maturing less than one year	1,543,319	–	–	1,021,949	–	–
– maturing more than one year	61,147	30,573	30,573	15,088	7,544	7,544
Short-term self-liquidating trade-related contingencies	85,411	17,082	17,082	74,177	14,835	14,835
Islamic financing sold to Cagamas Berhad with recourse	2,085,357	2,085,357	2,085,357	2,718,833	2,718,833	2,718,833
Others	12,670	–	–	43,918	–	–
	<u>3,972,854</u>	<u>2,294,269</u>	<u>2,289,121</u>	<u>4,038,931</u>	<u>2,883,669</u>	<u>2,866,258</u>

* The credit equivalent amount is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

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A21. Capital Adequacy

Bank Negara Malaysia's ("BNM") guideline on capital adequacy requires the Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The risk weighted capital adequacy ratio of the Bank at 14.57% exceeds the minimum requirements of BNM.

	The Bank			
	31 December 2007 RM'000	31 March 2007 RM'000		
<u>Tier 1 capital</u>				
Paid-up share capital	403,038	403,038		
Share premium	534,068	534,068		
Statutory reserve	47,390	47,390		
Unappropriated profit	98,537	47,389		
	<u>1,083,033</u>	<u>1,031,885</u>		
Less: Deferred tax asset	(183,259)	(223,558)		
Total Tier 1 capital	<u>899,774</u>	<u>808,327</u>		
<u>Tier 2 capital</u>				
Subordinated Sukuk Musyarakah	400,000	400,000		
General allowance for bad and doubtful debts and financing	149,314	138,998		
	<u>549,314</u>	<u>538,998</u>		
Capital base	<u>1,449,088</u>	<u>1,347,325</u>		
	31 December 2007	31 March 2007		
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
Notional risk-weighted assets				
Categories				
0%	1,454,883	-	2,018,817	-
10%	-	-	-	-
20%	174,935	34,987	555,612	111,122
50%	340,208	170,104	330,764	165,382
100%	9,696,214	9,696,214	9,089,779	9,089,779
	<u>11,666,240</u>	<u>9,901,305</u>	<u>11,994,972</u>	<u>9,366,283</u>
Market risk	-	38,133	-	42,058
Notional risk-weighted assets	<u>11,666,240</u>	<u>9,939,438</u>	<u>11,994,972</u>	<u>9,408,341</u>
Capital Ratios				
Core capital ratio		9.05%		8.59%
Risk-weighted capital ratio		<u>14.57%</u>		<u>14.32%</u>

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A22. The following table shows the profit rate sensitivity gap, by time bands, on which profit rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

31 December 2007

	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	1 to 5 years	Over 5 years	Non- profit sensitive	Trading Book	Total	Effective profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	1,262,000	-	-	-	-	-	7,827	-	1,269,827	3.52
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	-	-	104,011	104,011	5.40
Financing, advances and financing										
- Performing	424,748	386,821	162,324	(390,139)	1,179,790	5,786,497	-	-	7,550,041	6.86
- Non-performing	-	-	-	-	-	-	22,049	-	22,049	-
Other non-profit sensitive balances	-	-	-	-	-	-	562,309	-	562,309	-
TOTAL ASSETS	1,686,748	386,821	162,324	(390,139)	1,179,790	5,786,497	592,185	104,011	9,508,237	
LIABILITIES AND EQUITY										
Deposits from customers	2,879,131	700,942	489,632	527,977	137,373	-	483,929	-	5,218,984	2.91
Deposits and placements of banks and other financial institutions	333,547	552,136	378,154	315,850	542,491	-	3,114	-	2,125,292	3.62
Bills and acceptance payable	184,499	276,119	66,885	-	-	-	-	-	527,503	3.60
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	5.43
Other non-profit sensitive balances	-	-	-	-	-	-	136,061	-	136,061	-
Total Liabilities	3,397,177	1,529,197	934,671	843,827	1,079,864	-	623,104	-	8,407,840	
Total Equity	-	-	-	-	-	-	1,100,397	-	1,100,397	
TOTAL LIABILITIES AND EQUITY	3,397,177	1,529,197	934,671	843,827	1,079,864	-	1,723,501	-	9,508,237	
On-balance sheet profit sensitivity gap	(1,710,429)	(1,142,376)	(772,347)	(1,233,966)	99,926	5,786,497	(1,131,316)	104,011	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(1,710,429)	(1,142,376)	(772,347)	(1,233,966)	99,926	5,786,497	(1,131,316)	104,011	-	

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	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non- profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective profit rate %
ASSETS										
Cash and short-term funds	1,843,500	-	-	-	-	-	5,870	-	1,849,370	3.54
Deposits and placements with banks and other financial institutions	-	415,000	200	-	-	-	-	-	415,200	3.57
Securities held-for-trading	-	-	-	-	-	-	-	144,587	144,587	3.61
Financing, advances and financing										
– Performing	403,685	225,904	169,586	71,952	333,328	5,055,127	-	-	6,259,582	7.34
– Non-performing	-	-	-	-	-	-	110,388	-	110,388	-
Other non-profit sensitive balances	-	-	-	-	-	-	561,500	-	561,500	-
TOTAL ASSETS	2,247,185	640,904	169,786	71,952	333,328	5,055,127	677,758	144,587	9,340,627	
LIABILITIES AND EQUITY										
Deposits from customers	2,893,287	893,897	418,918	345,618	119,334	-	-	-	4,671,054	3.03
Deposits and placements of banks and other financial institutions	447,748	525,741	342,795	412,446	824,837	-	-	-	2,553,567	3.69
Bills and acceptance payable	171,245	200,038	75,331	-	-	-	-	-	446,614	3.57
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	4.80
Other non-profit sensitive balances	-	-	-	-	-	-	237,507	-	237,507	-
Total Liabilities	3,512,280	1,619,676	837,044	758,064	1,344,171	-	237,507	-	8,308,742	
Total Equity	-	-	-	-	-	-	1,031,885	-	1,031,885	
TOTAL LIABILITIES AND EQUITY	3,512,280	1,619,676	837,044	758,064	1,344,171	-	1,269,392	-	9,340,627	
On-balance sheet profit sensitivity gap	(1,265,095)	(978,772)	(667,258)	(686,112)	(1,010,843)	5,055,127	(591,634)	144,587	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	<u>(1,265,095)</u>	<u>(978,772)</u>	<u>(667,258)</u>	<u>(686,112)</u>	<u>(1,010,843)</u>	<u>5,055,127</u>	<u>(591,634)</u>	<u>144,587</u>	<u>-</u>	

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A23. Change in Accounting Policies**(a) Changes in accounting policy in the fourth quarter of the previous financial year**

During the 4th quarter of 2006, the Bank adopted the BNM's Circular on Handling Fees dated 16 October 2006 which resulted in the Bank capitalising handling fees paid for hire purchase loans in the Balance Sheet and amortising the amount in the Income Statement over the life of the loans with retrospective effect. Previously, such handling fees were expensed off in the Income Statement when incurred. The handling fees amount which was previously reported as operating expenses in the income statement has been reclassified and deducted from the interest income upon the change of this accounting policy. Certain comparative figures of the Bank have been restated as set out below.

Effects on Income Statement for the period ended 31 December 2006 are as follow:

	Individual Quarter		Cumulative Quarter	
	31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
Profit after taxation, before changes in accounting policies	17,364	36,725	68,512	79,436
Effects of adopting BNM circular on Handling Fees	–	(843)	–	2,154
Profit after taxation, after changes in accounting policies	<u>17,364</u>	<u>35,882</u>	<u>68,512</u>	<u>81,590</u>

(b) Restatement of Comparatives

The following comparative figures as at 31 December 2006 had been reclassified to conform with current period's presentation as a result of the adoption of the changes in accounting policies disclosed above:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Income Statement for the period ended 31 December 2006			
Income derived from investment of depositors' funds and others	463,045	(14,153)	448,892
Other expenses directly attributable to the investment of the depositors and equity funds	(16,515)	16,515	–
Other Operating expenses	(109,302)	587	(108,715)
Taxation	(38,780)	(795)	(39,575)
Profit after zakat and taxation	79,436	2,154	81,590